

**FRENCH AND MONTESSORI
EDUCATION, INC.
D/B/A AUDUBON CHARTER SCHOOL
NEW ORLEANS, LOUISIANA**

Annual Financial Statements

June 30, 2013



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Independent Auditor's Report

To the Board of Directors
French and Montessori Education, Inc.
d/b/a Audubon Charter School
New Orleans, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of French and Montessori Education, Inc., d/b/a Audubon Charter School (the School), which comprise the statement of financial position as of June 30, 2013, the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

NEW ORLEANS HOUSTON BATON ROUGE COVINGTON

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of board of directors and expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The Performance and Statistical Data, included as Schedules 1 through 9, is not a required part of the basic financial statements, but is supplementary information required by Louisiana State Law. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. We have applied certain limited procedures, which are described in the Independent Accountant's Report on Applying Agreed-Upon Procedures. However, we did not audit this information and, accordingly, express no opinion on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2013, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contract, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



A Professional Accounting Corporation

Covington, LA
September 25, 2013

FRENCH AND MONTESSORI EDUCATION, INC.
D/B/A AUDUBON CHARTER SCHOOL
NEW ORLEANS, LOUISIANA
Statement of Financial Position
June 30, 2013

Assets	
Current Assets	
Cash and Cash Equivalents	\$ 894,276
Accounts Receivable	390,379
Interest Receivable	17,429
Prepaid Expenses	<u>126,526</u>
Total Current Assets	<u>1,428,610</u>
Other Assets	
Investments	<u>1,781,603</u>
Fixed Assets	
Computers	308,711
Improvements	157,645
Accumulated Depreciation	<u>(360,181)</u>
Total Fixed Assets, Net	<u>106,175</u>
Total Assets	<u><u>\$ 3,316,388</u></u>
Liabilities and Net Assets	
Current Liabilities	
Accounts Payable	8,078
Accrued Expenses	373,176
Deferred Revenue	<u>115,274</u>
Total Liabilities	<u>496,528</u>
Net Assets	
Unrestricted	<u>2,819,860</u>
Total Net Assets	<u>2,819,860</u>
Total Liabilities and Net Assets	<u><u>\$ 3,316,388</u></u>

The accompanying notes are an integral part of these financial statements.

FRENCH AND MONTESSORI EDUCATION, INC.
D/B/A AUDUBON CHARTER SCHOOL
NEW ORLEANS, LOUISIANA
Statement of Activities
For the Year Ended June 30, 2013

	Unrestricted
Revenue, Grants, and Other Support	
State and Local Public School Funding	\$ 5,961,486
Federal Grants	544,000
Donations	310,391
Student Activity Revenue	241,458
Fee Revenue	183,147
Other Income	77,343
Other State Funding	67,931
Interest Income	24,785
	<hr/>
Total Revenue, Grants, and Other Support	7,410,541
	<hr/>
Expenses	
Program Services	
Regular Education Programs	2,931,223
Special Education Programs	796,689
Special Programs	739,966
School Administration	594,058
Operations and Maintenance of Plant Services	546,072
Pupil Support Services	490,313
Other Instructional Programs	315,069
Instructional Staff Services	277,518
Depreciation	30,033
Food Service	25,055
Management and General	
Central Services	152,557
Business Services	140,764
General Administration	127,895
Bad Debt	127,724
Other Expenses	
Net Realized and Unrealized Loss on Investments	16,864
	<hr/>
Total Expenses	7,311,800
	<hr/>
Change in Net Assets	98,741
	<hr/>
Net Assets, Beginning of Year	2,721,119
	<hr/>
Net Assets, End of Year	\$ 2,819,860
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The accompanying notes are an integral part of these financial statements.

FRENCH AND MONTESSORI EDUCATION, INC.
D/B/A AUDUBON CHARTER SCHOOL
NEW ORLEANS, LOUISIANA
Statement of Cash Flows
For the Year Ended June 30, 2013

Cash Flows from Operating Activities	
Change in Net Assets	\$ 98,741
Adjustments to Reconcile Change in Net Assets to	
Net Cash Provided by Operating Activities	
Net Realized and Unrealized Loss on Investments	16,864
Depreciation	30,033
Bad Debt	127,724
(Increase) Decrease in:	
Accounts Receivable	207,353
Interest Receivable	(17,429)
Prepaid Expenses	(116,769)
Increase (Decrease) in:	
Accounts Payable	(9,066)
Accrued Liabilities	(108,384)
Deferred Revenue	7,297
Total Adjustments	<u>137,623</u>
Net Cash Provided by Operating Activities	<u>236,364</u>
Cash Flows from Investing Activities	
Purchase of Investments	(1,798,467)
Purchases of Fixed Assets	<u>(82,098)</u>
Net Cash Used in Investing Activities	<u>(1,880,565)</u>
Net Decrease in Cash and Cash Equivalents	(1,644,201)
Cash and Cash Equivalents, Beginning of Year	<u>2,538,477</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 894,276</u></u>

The accompanying notes are an integral part of these financial statements.

**FRENCH AND MONTESSORI EDUCATION, INC.
D/B/A AUDUBON CHARTER SCHOOL
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

French and Montessori Education, Inc. (FAME) was created as a non-profit corporation under the laws of the State of Louisiana on October 28, 2005. FAME applied to the Orleans Parish School Board (OPSB) to operate a Type III charter school. On January 12, 2006, the Orleans Parish School Board approved the charter of Audubon Charter School (the School). The initial charter was granted for a minimum of five years and subsequently renewed for another five year term during 2011. The School serves eligible students in pre-kindergarten through eighth grade.

The formation of the School was in response to the devastation left by Hurricane Katrina. Accordingly, the Orleans Parish School Board is allowing the School to operate in the building formerly used by the Audubon Montessori School (a school of the Orleans Parish School Board) rent free. A summary of the School's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Financial Statement Presentation

The School follows the guidance of the *Not-for-Profit Entities* Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). The School is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. In addition, the School is required to present a statement of cash flows.

The School also follows the guidance of the *Not-for-Profit Entities* Topic of the FASB ASC, whereby contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the donor-imposed time or purpose restrictions. Restricted contributions, for which the restriction is met in the same year, are classified as unrestricted.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported on the financial statements. The financial statements of the School are prepared on the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred.

Revenues

The School's primary source of funding is through the State Public School Fund and the Orleans Parish School Board. The School received \$5,961,486 from the State and School Board based on eligible students in attendance on a monthly basis. State and Federal grants are on a cost reimbursement basis. An accrual is made when eligible expenses are incurred.

**FRENCH AND MONTESSORI EDUCATION, INC.
D/B/A AUDUBON CHARTER SCHOOL
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

The School considers investments in money market accounts to be cash equivalents, except for certain money market accounts maintained with investments at financial institutions which are reported as investments, as disclosed in Note 3.

Fair Values of Financial Instruments

The School follows the provisions of the *Fair Value Measurement* Topic of the FASB ASC. Accordingly, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The *Fair Value Measurement* Topic of the FASB ASC establishes a fair value hierarchy for inputs used in measuring fair market value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on the best information available in the circumstances.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Pricing inputs are quoted prices in active markets for identical assets or liabilities. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.

Investments whose values are based on quoted market prices in active markets, and are, therefore, classified as Level 1, include actively traded equities, certain mutual funds, certain U.S. government obligations, and certain money market securities.

Level 2 - Pricing inputs are other than quoted prices in active markets for identical assets, but the inputs are either directly or indirectly observable. Quoted prices are available but the assets are traded less frequently and, thus, valuation is accomplished using similar securities, the parameters of which can be directly observed. Also included in Level 2 are investments measured using a net asset value (NAV) per share, or its equivalent, that may be redeemed at that NAV at the date of the statement of financial position or in the near term, which is generally considered to be within 90 days.,

Investments classified as Level 2 trade in markets that are not considered to be active, but are valued based on quoted market prices, dealer quotations, or alternative pricing sources supported by observable inputs. These generally include certain U.S. government and sovereign obligations, most government agency securities, investment grade corporate bonds, less liquid listed equities, state, municipal and principal obligations, and most physical commodities. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

**FRENCH AND MONTESSORI EDUCATION, INC.
D/B/A AUDUBON CHARTER SCHOOL
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Fair Values of Financial Instruments (Continued)

Level 3 - Pricing inputs are not observable in the market. Thus, valuation is accomplished using management's best estimate of fair value, with inputs into the determination of fair value that require significant management judgment or estimation. Also included in Level 3 are investments measured using a NAV per share, or its equivalent, that can never be redeemed at the NAV or for which redemption at NAV is uncertain due to lockup periods or other investment restrictions.

Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently or not at all. Level 3 instruments include private equity and real estate investments and contributions expected to be collected in future periods. When observable prices are not available for these assets, the School uses one or more valuation techniques (e.g. market approach, income approach, or cost approach) for which sufficient and reliable data is available. Within Level 3, the use of the market approach generally consists of using comparable market transactions, while the use of the income approach generally consists of the net present value of estimated future cash flows, adjusted as appropriate for liquidity, credit, market and/or other risk factors.

The inputs used by the School in estimating the fair value of Level 3 investments include the original transaction price, recent transactions for the same or similar instruments, completed or pending third-party transactions in the underlying investment or comparable issuers, subsequent rounds of financing, recapitalizations, and other transactions across the capital structure, offerings in the equity or debt capital markets, and changes in financial ratios or cash flows. Level 3 investments may also be adjusted to reflect illiquidity and/or non-transferability, with the amount of such discount estimated by the School in the absence of market information. The fair value measurement of Level 3 investments does not include transaction costs as an input, although those costs may have been capitalized as part of the security's cost. Due to the lack of observable inputs, assumptions used by the School may significantly impact the resulting fair value and, therefore, the amounts reported in the School's accompanying combined financial statements.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement (see Note 10).

Investments

In accordance with the *Not-for-Profit Entities* Topic of the FASB ASC, the School's investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair value in the statements of financial position. Unrealized and realized gains and losses are included in the change in net assets.

**FRENCH AND MONTESSORI EDUCATION, INC.
D/B/A AUDUBON CHARTER SCHOOL
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Investments (Continued)

Investments, consisting of certificates of deposit with original maturities greater than three months, are reported at original cost plus accrued interest.

Dividend and interest income is accrued when earned.

Fixed Assets and Depreciation

Fixed assets are recorded at historical cost or estimated historical cost if historical cost is not available. Betterments that naturally add to the value of related assets or materially extend the useful lives of assets are capitalized. Normal building maintenance and minor equipment purchases are included as expenses of the School.

Income Taxes

The School is recognized by the Internal Revenue Service as a Section 501(c)(3) tax-exempt organization. However, income from certain activities not directly related to the School's tax-exempt purpose is subject to taxation as unrelated business income.

Statement of Cash Flows

For purposes of the Statement of Cash Flows, the School considers all investments purchased with an original maturity of three months or less to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentrations

The School received 80% of its revenues in the year ended June 30, 2013, from the Orleans Parish School Board, subject to its charter school contract with the School Board, and 7% of its funding from the federal government.

Concentrations of Credit Risk Arising From Cash Deposits in Excess of Insured Limits

The School periodically maintains cash in bank accounts in excess of insured limits. The School has not experienced any losses and does not believe that significant credit risk exists as a result of this practice.

**FRENCH AND MONTESSORI EDUCATION, INC.
D/B/A AUDUBON CHARTER SCHOOL
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Compensated Absences

The Board of Directors of the School grants all contracted employees of the School a total of 10 days of sick pay per year, provided, however, that the employee is contracted for a full year. Contracted employees may carry over 4 sick days from year to year. At June 30, 2013, the School had compensated absences of \$40,186, which is reported as a liability on the Statement of Financial Position.

Note 2. Cash and Cash Equivalents

The School's cash and cash equivalents (book balances) at June 30, 2013, were \$894,276, which are stated at cost and approximate market.

Note 3. Investments

Investments consisted of the following as of June 20, 2013:

2013	Fair Market Value	Cost or Assigned Amount
Long-Term Certificates of Deposit	\$ 1,001,853	\$ 1,001,853
Government Securities	432,945	440,380
Corporate Bonds	346,805	356,234
Total	\$ 1,781,603	\$ 1,798,467

Note 4. Accounts Receivable

As of June 30, 2013, accounts receivable totaled \$390,379, which is a receivable for federal grants passed through the Orleans Parish School Board. These receivables are considered to be fully collectible.

Note 5. Fixed Assets

Depreciation expense for the year ended June 30, 2013, was \$30,033. Depreciation is calculated using the straight-line method with useful lives of 3 years for computers and 7 or 10 years for building improvements.

**FRENCH AND MONTESSORI EDUCATION, INC.
D/B/A AUDUBON CHARTER SCHOOL
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 5. Fixed Assets (Continued)

All assets acquired with Louisiana Department of Education funds are owned by the School while used in the purpose for which they were purchased. The Louisiana Department of Education, however, has a reversionary interest in these assets. Should the charter not be renewed, title in any assets purchased with those funds will transfer to the appropriate agency. Assets purchased with private funds remain the property of the School.

Note 6. Deferred Revenue

Deferred revenue of \$115,274 consists of funds held as of June 30, 2013, which include unexpended pre-k and consumables fees for the 2013 - 2014 school year.

Note 7. Accrued Expenses

Accrued expenses consisted of the following as of June 30, 2013:

Payroll - Salaries and Benefits	\$ 229,129
Outsourced Professional Services	103,861
Compensated Absences	<u>40,186</u>
Total	<u>\$ 373,176</u>

Note 8. Retirement Plan

Certain employees of the School participate in the Teachers' Retirement System of Louisiana (TRSL). The TRSL is a cost-sharing, multiple-employer defined benefit pension plan administered by a separate board of trustees. Pertinent information relative to the plan follows.

Plan Description

The TRSL provides retirement benefits as well as disability and survivor benefits. Ten years of service credit are required to become vested for retirement benefits, and five years to become vested for disability and survivor benefits. Benefits are established and amended by state statute. The TRSL issues a publicly available financial report that includes financial statements and required supplementary information for the TRSL. That report may be obtained by writing to the Teachers' Retirement System of Louisiana, P.O. Box 94123, Baton Rouge, LA 70804-9123.

**FRENCH AND MONTESSORI EDUCATION, INC.
D/B/A AUDUBON CHARTER SCHOOL
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 8. Retirement Plan (Continued)

Funding Policy

Plan members are required to contribute 8% of their annual covered salary. The School is required to contribute at an actuarially determined rate. During the majority of the year ending June 30, 2013, the employer contribution rate was 24.5%. The current rate, which was effective July 1, 2013, is 27.2% of annual eligible covered payroll. The employer contribution rate for the majority of each of the years ended June 30, 2012 and 2011 was 23.7% and 20.2%, respectively. Member contributions and employer contributions for the TRSL are established by state law, and rates are established by the Public Retirement System's Actuarial Committee. The School's contribution to the plan for the years ended June 30, 2013, 2012, and 2011 was \$976,362, \$840,176, and \$712,234, respectively, which was equal to the required contribution.

Note 9. Uncertain Income Taxes

The School's 2009, 2010 and 2011 tax returns were filed appropriately. As of September 25, 2013, the School had not filed its 2012 tax return. The School recognizes interest and penalties, if any, related to unrecognized tax benefits in income tax expense. The School's tax filings are subject to audit by various taxing authorities. The School's open audit periods are 2009 through 2011. Management has evaluated the School's tax position and concluded that the School has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

Note 10. Fair Value of Financial Instruments

The School's assets recorded at fair value have been categorized based upon a fair value hierarchy in accordance with the *Fair Value Measurement* Topic of the FASB Accounting Standards Codification. See Note 1 for a description of the School's accounting policies and valuation procedures.

The valuation of the School's assets measured at fair value on a recurring basis at June 30, 2013, was as follows:

	2013			Fair Value Total
	Level 1	Level 2	Level 3	
Investments				
Long-Term Certificates of Deposit	\$ 1,001,853	\$ -	\$ -	\$ 1,001,853
Government Securities	-	432,945	-	432,945
Corporate Bonds	-	346,805	-	346,805
Total Investments	\$ 1,001,853	\$ 779,750	\$ -	\$ 1,781,603

**FRENCH AND MONTESSORI EDUCATION, INC.
D/B/A AUDUBON CHARTER SCHOOL
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 10. Fair Value of Financial Instruments (Continued)

The FASB issued a standards update pertaining to Fair Value Measurements and Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share. Fair values are determined by the use of calculated net asset value per ownership share.

The following disclosure is made in accordance with the requirements of the *Financial Instruments* Topic of the FASB ASC. Financial instruments are defined as cash and contractual rights and obligations that require settlement, directly or indirectly, in cash. Listed below are the carrying amounts of financial instruments which approximate fair value.

	June 30, 2013	
	Carrying Amount	Fair Value
Financial Assets		
Cash and Cash Equivalents	\$ 894,276	\$ 894,276
Program-Related Receivables	390,379	390,379
Interest Receivable	17,429	17,429
Investments	1,781,603	1,781,603
Financial Liabilities		
Accounts Payable	8,078	8,078
Accrued Expenses	373,176	373,176

Note 11. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, September 25, 2013, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

**SCHEDULES REQUIRED BY LOUISIANA STATE LAW
(R.S. 24:514 - PERFORMANCE AND STATISTICAL DATA)**

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors
French and Montessori Education, Inc.
d/b/a Audubon Charter School
New Orleans, Louisiana

We have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the management of French and Montessori Education, Inc., d/b/a Audubon Charter School (the School), and the Legislative Auditor, State of Louisiana, solely to assist users in evaluating management's assertions about the performance and statistical data accompanying the annual financial statements of the School and to determine whether the specified schedules are free of obvious errors and omissions as provided by the Board of Elementary and Secondary Education (BESE) Bulletin. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants and *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings that relate to the accompanying schedules of supplemental information are as follows:

General Fund Instructional and Support Expenditures and Certain Local Revenue Sources (Schedule 1)

1. We selected a random sample of 25 transactions and reviewed supporting documentation to determine if the sampled expenditures/revenues are classified correctly and are reported in the proper amounts for each of the following amounts reported on the schedule:
 - Total General Fund Instructional Expenditures
 - Total General Fund Equipment Expenditures
 - Total Local Taxation Revenue
 - Total Local Earnings on Investment in Real Property
 - Total State Revenue in Lieu of Taxes
 - Nonpublic Textbook Revenue
 - Nonpublic Transportation Revenue

Findings:

None

NEW ORLEANS HOUSTON BATON ROUGE COVINGTON

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Education Levels of Public School Staff (Schedule 2)

2. We reconciled the total number of full time classroom teachers per the schedule "Experience of Public Principals, Assistant Principals, and Full Time Classroom Teachers" (Schedule 4) to the combined total number of full time classroom teachers per this schedule and to the School's supporting payroll records as of October 1st.
3. We reconciled the combined total of principals and assistant principals per the schedule "Experience of Public Principals, Assistant Principals, and Full Time Classroom Teachers" (Schedule 4) to the combined total of principals and assistant principals per this schedule.
4. We obtained a list of principals, assistant principals, and full time classroom teachers by classification as of October 1st and as reported on the schedule. We traced 25 of the teachers to the individual's personnel file to determine if the individual's education level was properly classified on the schedule.

Findings:

None

Number and Type of Public Schools (Schedule 3)

5. We obtained a list of schools by type as reported on the schedule. We compared the list to the schools and grade levels as reported on the Title I Grants to Local Educational Agencies (CFDA 84.010) application and/or the National School Lunch Program (CFDA 10.555) application.

Findings:

None

Experience of Public Principals, Assistant Principals, and Full Time Classroom Teachers (Schedule 4)

6. We obtained a list of principals, assistant principals, and full time classroom teachers by classification as of October 1st and as reported on the schedule, and traced the same sample used in procedure 4 to the individual's personnel file and determined if the individual's experience was properly classified on the schedule.

Findings:

None

Public School Staff Data (Schedule 5)

7. We obtained a list of all classroom teachers including their base salary, extra compensation, and ROTC or rehired retiree status as well as full time equivalents as reported on the schedule and traced a random sample of 25 teachers to the individual's personnel file and determined if the individual's salary, extra compensation, and full time equivalents were properly included on the schedule.
8. We recalculated the average salaries and full time equivalents reported on the schedule.

Findings:

None

Class Size Characteristics (Schedule 6)

9. We obtained a list of classes by school, school type, and class size as reported on the schedule and reconciled school type classifications to Schedule 3 data, as obtained in procedure 5. We then traced a random sample of 10 classes to the October 1st roll books for those classes and determined if the class was properly classified on the schedule.

Findings:

None

Louisiana Educational Assessment Program (LEAP) (Schedule 7)

10. We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported on the schedule by the School.

Findings:

None

Graduation Exit Exam (Schedule 8)

11. Not applicable.

iLEAP Test Results (Schedule 9)

12. We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported on the schedule by the School.

Findings:

None

We were not engaged to and did not perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the management of French and Montessori Education, Inc., the Orleans Parish School Board, the Louisiana Department of Education, the Louisiana Legislature, and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

A handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation

Covington, LA
September 25, 2013

**FRENCH AND MONTESSORI EDUCATION, INC.
D/B/A AUDUBON CHARTER SCHOOL
NEW ORLEANS, LOUISIANA
Schedules Required by Louisiana State Law
(R.S. 24:514 - Performance and Statistical Data)
As of and for the Year Ended June 30, 2013**

Schedule 1 - General Fund Instructional and Support Expenditures and Certain Local Revenue Sources

This schedule includes general fund instructional and equipment expenditures. It also contains local taxation revenue, earnings on investments, revenue in lieu of taxes, and nonpublic textbook and transportation revenue. This data is used either in the Minimum Foundation Program (MFP) formula or is presented annually in the MFP 70% Expenditure Requirement Report.

Schedule 2 - Education Levels of Public School Staff

This schedule includes the certificated and uncertificated number and percentage of full time classroom teachers and the number and percentage of principals and assistant principals with less than a Bachelor's; Master's; Master's +30; Specialist in Education; and Ph. D. or Ed. D. degrees. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

Schedule 3 - Number and Type of Public Schools

This schedule includes the number of elementary, middle/junior high, secondary, and combination schools in operation during the fiscal year. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

Schedule 4 - Experience of Public Principals, Assistant Principals, and Full Time Classroom Teachers

This schedule includes the number of years of experience in teaching for principals, assistant principals, and full time classroom teachers. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

Schedule 5 - Public School Staff Data

This schedule includes average classroom teachers' salary using full time equivalents, including and excluding ROTC and rehired retiree teachers. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

Schedule 6 - Class Size Characteristics

This schedule includes the percent and number of classes with student enrollment in the following ranges: 1-20, 21-26, 27-33, and 34+ students.

Schedule 7 - Louisiana Educational Assessment Program (LEAP)

This schedule represents student performance testing data and includes summary scores for grades 4 and 8 in each category tested. Scores are reported as Advanced, Mastery, Basic, Approaching Basic, and Unsatisfactory. This schedule contains three years of data.

Schedule 8 - Graduation Exit Exam

Not applicable.

**FRENCH AND MONTESSORI EDUCATION, INC.
D/B/A AUDUBON CHARTER SCHOOL
NEW ORLEANS, LOUISIANA
Schedules Required by Louisiana State Law
(R.S. 24:514 - Performance and Statistical Data)
As of and for the Year Ended June 30, 2013**

Schedule 9 - iLEAP Test Results

This schedule represents student performance testing data and includes a summary score for grades 3, 5, 6, and 7 in each category tested. The summary score reported is the Percentile Rank showing relative position or rank as compared to a large, representative sample of students in the same grade from the state. This schedule includes three years of data.

**FRENCH AND MONTESSORI EDUCATION, INC.
D/B/A AUDUBON CHARTER SCHOOL
NEW ORLEANS, LOUISIANA
General Fund Instructional and Support Expenditures
and Certain Local Revenue Sources
For the Year Ended June 30, 2013**

General Fund Instructional and Equipment Expenditures**General Fund Instructional Expenditures****Teacher and Student Interaction Activities**

Classroom Teacher Salaries	\$ 2,314,306
Other Instructional Staff Salaries	441,555
Instructional Staff Employee Benefits	1,167,271
Purchased Professional and Technical Services	103,576
Instructional Materials and Supplies	8,999
Instructional Equipment	6,400

Total Teacher and Student Interaction Activities \$ 4,042,107

Other Instructional Activities 8,943

Pupil Support Services 425,228

Less: Equipment for Pupil Support Services -

Net Pupil Support Services 425,228

Instructional Staff Services 211,041

Less: Equipment for Instructional Staff Services -

Net Instructional Staff Services 211,041

School Administration 575,967

Less: Equipment for School Administration -

Net School Administration 575,967

Total General Fund Instructional Expenditures \$ 5,263,286

Total General Fund Equipment Expenditures \$ 6,400

Certain Local Revenue Sources**Local Taxation Revenue**

Constitutional Ad Valorem Taxes	\$ -
Renewable Ad Valorem Tax	-
Debt Service Ad Valorem Tax	-
Up to 1% of Collections by the Sheriff on Taxes	-
Other than School Taxes	-
Sales and Use Taxes	-

Total Local Taxation Revenue \$ -

Local Earnings on Investment in Real Property

Earnings from 16th Section Property \$ -

Earnings from Other Real Property -

Total Local Earnings on Investment in Real Property \$ -

State Revenue in Lieu of Taxes

Revenue Sharing - Constitutional Tax \$ -

Revenue Sharing - Other Taxes -

Revenue Sharing - Excess Portion -

Other Revenue in Lieu of Taxes -

Total State Revenue in Lieu of Taxes \$ -

Nonpublic Textbook Revenue \$ -

Nonpublic Transportation Revenue \$ -

See independent accountant's report on applying agreed-upon procedures.

**FRENCH AND MONTESSORI EDUCATION, INC.
D/B/A AUDUBON CHARTER SCHOOL
NEW ORLEANS, LOUISIANA
Education Levels of Public School Staff
As of October 1, 2012**

	Full Time Classroom Teachers				Principals & Assistant Principals			
	Certificated		Uncertificated		Certificated		Uncertificated	
Category	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than a Bachelor's Degree								
Bachelor's Degree	38	71%	5	83%				
Master's Degree	13	25%	1	17%	1	50%		
Master's Degree +30	1	2%			1	50%		
Specialist in Education								
Ph. D. or Ed. D.	1	2%						
Total	53	100%	6	100%	2	100%		

See independent accountant's report on applying agreed-upon procedures.

FRENCH AND MONTESSORI EDUCATION, INC.
D/B/A AUDUBON CHARTER SCHOOL
NEW ORLEANS, LOUISIANA
Number and Type of Public Schools
For the Year Ended June 30, 2013

Type	Number
Elementary	1
Middle/Jr. High	
Secondary	
Combination	
Total	1

See independent accountant's report on applying agreed-upon procedures.

FRENCH AND MONTESSORI EDUCATION, INC.
D/B/A AUDUBON CHARTER SCHOOL
NEW ORLEANS, LOUISIANA
Experience of Public Principals, Assistant Principals,
and Full Time Classroom Teachers
As of October 1, 2012

	0 - 1 Yr.	2 - 3 Yrs.	4 - 10 Yrs.	11 - 14 Yrs.	15 - 19 Yrs.	20 - 24 Yrs.	25+ Yrs.	Total
Assistant Principals							1	1
Principals							1	1
Classroom Teachers	19	10	11	1	5	7	6	59
Total	19	10	11	1	5	7	8	61

See independent accountant's report on applying agreed-upon procedures.

**FRENCH AND MONTESSORI EDUCATION, INC.
D/B/A AUDUBON CHARTER SCHOOL
NEW ORLEANS, LOUISIANA
Public School Staff Data
For the Year Ended June 30, 2013**

	All Classroom Teachers	Classroom Teachers Excluding ROTC, Rehired Retirees, and Flagged Salary Reductions
Average Classroom Teachers' Salary Including Extra Compensation	\$46,551	\$46,157
Average Classroom Teachers' Salary Excluding Extra Compensation	\$46,476	\$46,113
Number of Teacher Full Time Equivalents (FTEs) Used in Computation of Average Salaries	58.6	56.6

See independent accountant's report on applying agreed-upon procedures.

FRENCH AND MONTESSORI EDUCATION, INC.
D/B/A AUDUBON CHARTER SCHOOL
NEW ORLEANS, LOUISIANA
Class Size Characteristics
As of October 1, 2012

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary	33%	12	56%	20	11%	4		
Elementary Activity Classes								

See independent accountant's report on applying agreed-upon procedures.

**FRENCH AND MONTESSORI EDUCATION, INC.
D/B/A AUDUBON CHARTER SCHOOL
NEW ORLEANS, LOUISIANA
Louisiana Educational Assessment Program (LEAP)
For the Year Ended June 30, 2013**

District Achievement Level Results	English Language Arts						Mathematics						Science						Social Studies					
	2013		2012		2011		2013		2012		2011		2013		2012		2011		2013		2012		2011	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 4																								
Advanced	17	19%	7	10%	7	11%	19	22%	8	11%	7	7%	11	12%	14	19%	3	5%	9	10%	10	14%	4	6%
Mastery	27	30%	30	42%	26	40%	22	25%	19	26%	27	29%	25	28%	21	29%	14	22%	28	31%	15	21%	17	26%
Basic	39	45%	30	42%	30	46%	34	38%	35	49%	43	46%	39	44%	30	42%	39	60%	40	46%	41	57%	41	63%
Approaching Basic	3	3%	5	6%	2	3%	12	13%	8	11%	10	11%	9	10%	7	10%	7	10%	8	9%	5	7%	3	5%
Unsatisfactory	3	3%	0	0%	0	0%	2	2%	2	3%	7	7%	5	6%	0	0%	2	3%	4	4%	1	1%	0	0%
Total	89	100%	72	100%	65	100%	89	100%	72	100%	94	100%	89	100%	72	100%	65	100%	89	100%	72	100%	65	100%

District Achievement Level Results	English Language Arts						Mathematics						Science						Social Studies					
	2013		2012		2011		2013		2012		2011		2013		2012		2011		2013		2012		2011	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 8																								
Advanced	7	12%	7	11%	4	8%	7	12%	11	18%	1	2%	6	9%	9	15%	2	4%	8	14%	11	19%	1	2%
Mastery	22	37%	27	44%	21	41%	10	17%	4	6%	3	6%	17	29%	24	41%	19	37%	21	35%	25	42%	18	35%
Basic	26	44%	23	37%	25	49%	38	64%	38	62%	42	82%	31	53%	22	37%	25	49%	28	47%	21	36%	29	57%
Approaching Basic	3	5%	5	8%	1	2%	4	7%	7	11%	3	6%	4	7%	4	7%	5	10%	1	2%	2	3%	3	6%
Unsatisfactory	1	2%	0	0%	0	0%	0	0%	2	3%	2	4%	1	2%	0	0%	0	0%	1	2%	0	0%	0	0%
Total	59	100%	62	100%	51	100%	59	100%	62	100%	51	100%	59	100%	59	100%	51	100%	59	100%	59	100%	51	100%

See independent accountant's report on applying agreed-upon procedures.

**FRENCH AND MONTESSORI EDUCATION, INC.
D/B/A AUDUBON CHARTER SCHOOL
NEW ORLEANS, LOUISIANA
Graduation Exit Exam
For the Year Ended June 30, 2013**

The School does not have grades 10 or 11; therefore, this schedule does not apply.

See independent accountant's report on applying agreed-upon procedures.

FRENCH AND MONTESSORI EDUCATION, INC.
D/B/A AUDUBON CHARTER SCHOOL
NEW ORLEANS, LOUISIANA
iLEAP Test Results
For the Year Ended June 30, 2013

District Achievement Level Results	English Language Arts						Mathematics						Science						Social Studies					
	2013		2012		2011		2013		2012		2011		2013		2012		2011		2013		2012		2011	
	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%
Grade 3																								
Advanced	8	8%	3	3%	4	5%	17	18%	16	18%	12	16%	9	10%	16	18%	8	11%	10	11%	1	1%	3	4%
Mastery	22	24%	35	40%	29	39%	16	17%	25	28%	15	20%	24	25%	23	26%	14	19%	18	19%	31	35%	19	26%
Basic	53	56%	36	41%	31	43%	47	49%	32	36%	36	49%	44	46%	38	44%	35	47%	51	53%	42	48%	39	52%
Approaching Basic	8	8%	12	13%	9	12%	9	10%	13	15%	10	14%	16	17%	10	11%	13	18%	12	13%	11	13%	13	18%
Unsatisfactory	4	4%	3	3%	1	1%	6	6%	3	3%	1	1%	2	2%	1	1%	4	5%	4	4%	3	3%	0	0%
Total	95	100%	89	100%	74	100%	95	100%	89	100%	74	100%	95	100%	88	100%	74	100%	95	100%	88	100%	74	100%

District Achievement Level Results	English Language Arts						Mathematics						Science						Social Studies					
	2013		2012		2011		2013		2012		2011		2013		2012		2011		2013		2012		2011	
	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%
Grade 5																								
Advanced	13	19%	7	11%	9	11%	8	12%	8	13%	17	22%	10	15%	3	5%	8	10%	13	19%	6	9%	3	4%
Mastery	19	28%	19	30%	24	30%	17	25%	18	28%	11	14%	16	24%	21	33%	16	20%	12	18%	19	30%	12	15%
Basic	29	43%	32	50%	34	44%	33	49%	29	45%	35	44%	36	52%	27	42%	43	55%	37	54%	29	45%	43	55%
Approaching Basic	6	9%	6	9%	9	11%	7	10%	7	11%	11	14%	6	9%	13	20%	11	14%	4	6%	6	9%	13	16%
Unsatisfactory	1	1%	0	0%	3	4%	3	4%	2	3%	5	6%	0	0%	0	0%	1	1%	2	3%	4	7%	8	10%
Total	68	100%	64	100%	79	100%	68	100%	64	100%	79	100%	68	100%	64	100%	79	100%	68	100%	64	100%	79	100%

District Achievement Level Results	English Language Arts						Mathematics						Science						Social Studies					
	2013		2012		2011		2013		2012		2011		2013		2012		2011		2013		2012		2011	
	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%
Grade 6																								
Advanced	8	11%	7	9%	6	10%	13	19%	11	14%	21	34%	11	16%	3	4%	8	13%	20	29%	16	20%	15	24%
Mastery	26	37%	24	30%	20	32%	19	27%	24	30%	18	29%	22	31%	17	22%	23	37%	16	23%	20	25%	16	26%
Basic	33	48%	40	51%	29	46%	35	50%	36	45%	21	34%	31	45%	51	64%	27	44%	27	38%	35	45%	28	45%
Approaching Basic	3	4%	8	10%	6	10%	3	4%	6	8%	2	3%	5	7%	7	9%	4	6%	6	9%	7	9%	3	5%
Unsatisfactory	0	0%	0	0%	1	2%	0	0%	2	3%	0	0%	1	1%	1	1%	0	0%	1	1%	1	1%	0	0%
Total	70	100%	79	100%	62	100%	70	100%	79	100%	62	100%	70	100%	79	100%	62	100%	70	100%	79	100%	62	100%

District Achievement Level Results	English Language Arts						Mathematics						Science						Social Studies					
	2013		2012		2011		2013		2012		2011		2013		2012		2011		2013		2012		2011	
	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%
Grade 7																								
Advanced	15	21%	10	15%	16	25%	5	7%	25	37%	12	19%	5	7%	8	12%	4	6%	5	7%	4	6%	7	11%
Mastery	23	33%	27	41%	19	30%	23	33%	18	27%	15	23%	19	27%	26	39%	18	28%	18	26%	26	39%	23	36%
Basic	28	40%	26	39%	24	37%	38	54%	22	34%	32	50%	37	53%	25	38%	34	53%	40	57%	33	50%	32	50%
Approaching Basic	4	6%	3	4%	5	8%	2	3%	1	1%	5	8%	7	10%	7	11%	7	11%	6	9%	2	3%	2	3%
Unsatisfactory	0	0%	1	1%	0	0%	2	3%	1	1%	0	0%	2	3%	0	0%	1	2%	1	1%	1	2%	0	0%
Total	70	100%	67	100%	64	100%	70	100%	67	100%	64	100%	70	100%	66	100%	64	100%	70	100%	66	100%	64	100%

See independent accountant's report on applying agreed-upon procedures.

SUPPLEMENTARY INFORMATION

**FRENCH AND MONTESSORI EDUCATION, INC.
D/B/A AUDUBON CHARTER SCHOOL
NEW ORLEANS, LOUISIANA
Schedule of Board of Directors
For the Year Ended June 30, 2013**

Board Members	Compensation	Board Members	Compensation
Rev. Cornelius Tilton (Chairman) 819 First Street New Orleans, LA 70130	\$-0-	Jason Coleman 8634 Birch Street New Orleans, LA 70118	\$-0-
Derek D. Bardell (Vice-Chair) P.O. Box 850322 New Orleans, LA 70185	\$-0-	Jolynn King 6319 Louisville Street New Orleans, LA 70124	\$-0-
Yvonne "Teddi" Locke (Secretary) 7818 Panola Street New Orleans, LA 70118	\$-0-	Robert Sloan 1320 Second Street New Orleans, LA 70130	\$-0-
Eva Alito 800 Solomon Place New Orleans, LA 70119	\$-0-	Jacqueline Smith 1107 S. Peters Street New Orleans, LA 70130	\$-0-
Shawn Barney 650 Poydras Street, Suite 1400 New Orleans, LA 70130	\$-0-	Greg Thompson 1722 Short Street New Orleans, LA 70130	\$-0-
Jean-Claude Brunet 2406 Prytania Street New Orleans, LA 70115	\$-0-		

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Independent Auditor's Report

To the Board of Directors
French and Montessori Education, Inc.
d/b/a Audubon Charter School
New Orleans, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of French and Montessori Education, Inc., d/b/a Audubon Charter School (the School), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated September 25, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

NEW ORLEANS HOUSTON BATON ROUGE COVINGTON

An Independently Owned Member, McGladrey Alliance

The McGladrey Alliance is a premier affiliation of independent accounting and consulting firms. The McGladrey Alliance member firms maintain their name, autonomy and independence and are responsible for their own client fee arrangements, delivery of services and maintenance of client relationships.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

A handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation

Covington, LA
September 25, 2013

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

Independent Auditor's Report

To the Board of Directors
French and Montessori Education, Inc.
d/b/a Audubon Charter School
New Orleans, Louisiana

Report on Compliance for Each Major Federal Program

We have audited French and Montessori Education, Inc.'s, d/b/a Audubon Charter School (the School), compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on the School's major federal program for the year ended June 30, 2013. The School's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the School's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the School's compliance.

NEW ORLEANS HOUSTON BATON ROUGE COVINGTON

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Opinion on Major Federal Program

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirement referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.



A Professional Accounting Corporation

Covington, LA
September, 25 2013

FRENCH AND MONTESSORI EDUCATION, INC.
D/B/A AUDUBON CHARTER SCHOOL
NEW ORLEANS, LOUISIANA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor Program Title	CFDA Number	Federal Expenditures
United States Department of Education		
(Passed through the Orleans Parish School Board)		
Title I Grants to Local Education Agencies (LEAs) *	84.010	\$ 386,292
Special Education - Grants to States (IDEA, Part B)	84.027	71,035
Community Development Block Grant (CDBG)	14.218	45,811
Temporary Assistance for Needy Families (TANF)	93.558	23,429
Title II Improving Teacher Quality State Grants	84.367	7,246
Total United States Department of Education		533,813
Total Federal Financial Assistance		\$ 533,813

* Denotes Major Program

FRENCH AND MONTESSORI EDUCATION, INC.
D/B/A AUDUBON CHARTER SCHOOL
NEW ORLEANS, LOUISIANA
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Note 1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the School and is presented on the accrual basis of accounting. Grant revenues are recorded for financial reporting purposes when the School has met the qualifications for the respective grants.

Accrued Reimbursement

Various reimbursement procedures are used for federal awards received by the School. Consequently, timing differences between expenditures and program reimbursements may exist at the beginning and end of the year. Any accrued balances at year-end represent an excess of reimbursable expenditures over reimbursements received.

Note 2. Reconciliation to the Statement of Activities

The following is a reconciliation of the schedule of expenditures of federal awards to the statement of activities:

Federal grant revenue per the statement of activities	\$ 544,000
Less expenditures made in the previous years which were recorded as revenue in 2012 - 2013	<u>(10,187)</u>
	<u>\$ 533,813</u>

**FRENCH AND MONTESSORI EDUCATION, INC.
D/B/A AUDUBON CHARTER SCHOOL
NEW ORLEANS, LOUISIANA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013**

Part I - Summary of Auditor's Results

Financial Statement Section

- | | |
|---------------------------------------------------------------------------------|-------------|
| 1. Type of auditor's report | Unqualified |
| 2. Internal control over financial reporting and compliance and other matters | |
| a. Material weaknesses identified | None |
| b. Significant deficiencies identified not considered to be material weaknesses | None |
| c. Noncompliance noted | None |
| 3. Management letter comment provided | None |

Federal Awards Section

- | | |
|------------------------------------------------------------------------------------------|-------------|
| 4. Type of auditor's report issued on compliance for major program | Unqualified |
| 5. Internal control over major program | |
| a. Material weaknesses identified | None |
| b. Significant deficiencies identified not considered to be material weaknesses | None |
| 6. Audit findings disclosed that are required in accordance with OMB A-133, Section 510a | None |
| 7. Identification of major programs | |
| 84.010 Title 1 - Grants to Local Education Agencies (LEAs) | |
| 8. Dollar threshold used to distinguish between Type A and B programs | \$300,000 |
| 9. Auditee qualified as a low-risk auditee under OMB A-133, Section 530 | Yes |

**FRENCH AND MONTESSORI EDUCATION, INC.
D/B/A AUDUBON CHARTER SCHOOL
NEW ORLEANS, LOUISIANA
Schedule of Prior Year Findings and Questioned Costs
For the Year Ended June 30, 2013**

Part I - Financial Statement Findings Section

None

Part II - Federal Award Findings and Questioned Costs Section

None